



**Shrewsbury Public Schools
Massachusetts 01545**

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To: School Committee

Subj: Chapter 70 Aid Report

Overview

This memo provides an overview of the preliminary FY14 Chapter 70 state funding and compares our funding with other districts.

Chapter 70 Aid is the state funded program that allocates resources for education to school districts in the Commonwealth. The Education Reform Law of 1993 included this extensive program of state aid to cities and towns for the operation of K-12 public schools. The original intent of the program was “to ensure that every public school system had adequate funding, regardless of the wealth of the local community.” The financing formula has evolved from its original state to consider a community’s ability to pay according to its property values as well as income levels. Thus, the program that began in 1994 continues to provide substantial resources to communities throughout the Commonwealth under the aggregate wealth model. The goal of the Chapter 70 formula is to ensure that every district has sufficient resources to meet its foundation budget spending level, through an equitable combination of local property taxes and state aid.

Updates for FY14

Pursuant to section 6 of chapter 70 of the General Laws, the Commissioner of Elementary and Secondary Education has issued the preliminary estimates of Chapter 70 school aid and net school spending requirements for FY14. These estimates are based on House 1, Governor Patrick's proposed state budget for the coming fiscal year. The proposal increases aid from \$4.171 billion to \$4.397 billion, an increase of \$226 million or 5.4 percent. Every operating district receives at least \$25 in additional aid per student, and 179 operating districts receive increases so that they can keep pace with increases in their foundation budgets.

Shrewsbury falls into the \$25/student additional aid and our preliminary Chapter 70 state aid is now up \$148,750 to \$18,897,213.

Here are some of the key points about the Governor’s proposal:

- The aggregate wealth model used in the formula since FY07 continues to be in effect and for the first time is fully implemented. For the first time, for municipalities with required contributions above their targets, the state will provide funding to ensure that those communities contribute no more than their

The Shrewsbury Public Schools in partnership with the community, will provide students with the skills and knowledge for the 21st century, an appreciation of our democratic tradition, and the desire to continue to learn throughout life.

- target amount. This includes insuring that no community, no matter how wealthy, receives at least 17.5% of their foundation budget from the state.
- 179 operating districts receive foundation aid to ensure that they do not fall below their foundation budgets.
 - Foundation budgets are raised by an inflation factor of 1.55 percent.
 - The foundation rate for out of district special education is increased by \$10,000, from \$25,848 to \$35,848.
 - Enrollment grew by .6 percent although forty seven percent of districts saw increases of as much as eleven percent. About half of this increase is due to the removal of the enrollment cap on pre-kindergarten regular education students.
 - These are preliminary estimates subject to change as the House and Senate deliberate on the budget.

Components

The Chapter 70 aid to school districts is determined through four basic steps:

STEP 1: CALCULATE FOUNDATION BUDGET

This total "foundation budget" is designed to represent the total cost of providing an adequate education for all students, and it is often expressed as a per-pupil foundation budget by dividing the total foundation budget by the number of students. A district's foundation budget is derived by multiplying the number of pupils in fourteen enrollment categories by cost rates in eleven functional areas. The enrollment categories include Preschool, Kindergarten, Elementary, Middle, High School, English Language Learners, and Vocational as well as incremental cost categories including Special Education In-District and Out of District, and Low Income. Certain formulas are used that assume ratios of students and staff that apply to all districts, not specific to each district. The functional areas include administration, instructional leadership, classroom teachers, guidance, maintenance and operations, employee benefits as well as a wage and inflation factor to sum up the foundation budget.

STEP 2: CALCULATE REQUIRED LOCAL CONTRIBUTION

Once the total foundation budget is established, the state calculates each city and town's "ability to contribute" local revenue towards the operation of its schools. Local ability to contribute varies widely based upon the incomes and property values of different cities and towns. The required local contribution is basically a measure of how much local tax revenue a city or town can reasonably raise and dedicate to the operation of its schools and is known as the aggregate wealth model.

As part of the 2007 reforms, the state now calculates two separate local contribution amounts for each district before coming up with a final required contribution. The state gets to the required contribution through three steps:

1. A "preliminary contribution" is calculated by taking the previous year 's required local contribution and multiplying it by the Municipal Revenue Growth Factor, a rate that estimates growth in local revenues from year to year.
2. A "target contribution" is calculated by looking at the specific property values and income wealth of a given community.
3. Since the target contribution is more directly tied to each community's current ability to contribute, the state then sets a "required contribution" designed to move districts whose preliminary contributions are either above or below their target contributions towards the target. The final required contribution is then set based on uniform rules, and falls in between the preliminary and target contributions.

It is important to note that Shrewsbury's determination of its required contribution is below the target and is as follows for FY13:

	<u>Target Amount</u>	<u>Percentage</u>
A) FY13 Required Local Contribution	\$35,083,729	63.05%
B) Preliminary FY14 Required Contribution	\$36,276,576	65.19%
C) FY14 Target Local Share	\$41,471,589	74.53%
D) Adjusted FY13 Required Contribution	\$37,329,088	67.09%

- Preliminary FY14 Required Contribution represents the FY13 Required Local Contribution multiplied by the Municipal Revenue Growth Factor of 3.40%
 $A \times 103.4\% = B$
- FY14 Target Local Share represents what the state formula indicates what Shrewsbury should be contributing based on its property value and citizens' income.
- Adjusted FY14 Required Contribution represents the state's requirement to move closer to the Target Local Share. This is determined by taking 3% of the FY13 Required Local Contribution and adding it to the Preliminary FY14 Required Contribution $(A \times 3\%) + B = D$
- The 3% adjustment is required because Shrewsbury's Preliminary FY14 Required Contribution of 65.19% is more than 7.5% below the Target Local Share of 74.53% (it is 9.34% lower).

STEP 3: FILL THE GAP WITH CHAPTER 70 EDUCATION AID

Chapter 70 education aid is then determined by filling the gap between a district's required local contribution and its foundation budget. Calculating state aid from the difference between steps 1 and 2 ensures that every district can fund the total baseline education determined appropriate by the foundation budget. Because Shrewsbury's current level of Chapter 70 aid in FY13 is more than the amount calculated for FY14 the District is only provided with the minimum \$25 per pupil increase. Please see the preliminary summary from the DESE enclosed.

STEP 4: AFTER CHAPTER 70 AID IS DETERMINED, DISTRICTS MAY CONTRIBUTE MORE

The required local contribution is only a minimum amount that cities and towns must contribute to their school districts, and many communities opt to contribute significantly more. For this reason, the Chapter 70 formula provides a baseline school budget, but it does not ensure equitable total funding across the state. ¹

History of Chapter 70

<u>Year</u>	<u>Enrollment</u>	<u>Foundation Budget</u>	<u>Required Local Contribution</u>	<u>Chapter 70 Aid</u>	<u>Required Net School Spending</u>	<u>Actual Net School Spending</u>	<u>% Over</u>
FY03	4,953	\$31,933,286	\$23,187,512	\$8,745,774	\$31,933,286	\$36,101,586	13.1
FY04	5,128	\$33,741,872	\$23,454,168	\$10,287,704	\$33,741,872	\$39,141,459	16.0
FY05	5,383	\$36,777,283	\$24,828,582	\$11,948,701	\$36,777,283	\$42,111,030	14.5
FY06	5,571	\$39,662,058	\$25,861,451	\$13,800,607	\$39,662,058	\$44,016,335	11.0
FY07	5,705	\$43,006,922	\$27,107,973	\$15,898,949	\$43,006,922	\$45,644,331	6.1
FY08	5,811	\$46,216,469	\$28,796,799	\$17,419,670	\$46,216,469	\$50,466,635	9.2
FY09	5,852	\$49,163,923	\$30,297,112	\$16,882,697	\$47,179,809	\$51,146,928	8.4
FY10	5,857	\$50,640,025	\$31,084,837	\$18,489,475	\$49,574,312	\$53,150,125	7.2
FY11	5,848	\$49,767,093	\$32,455,678	\$18,412,775	\$50,868,453	\$55,586,903	9.3
FY12	5,921	\$51,780,005	\$33,692,240	\$18,511,623	\$52,203,863	\$56,831,667*	8.9
FY13**	5,921	\$53,574,892	\$35,083,729	\$18,748,463	\$53,832,192	N/A	
FY14***	5,950	\$55,643,722	\$37,329,088	\$18,897,213	\$56,226,301	N/A	

*Budgeted Net School Spending

** FY13 Chapter 70 aid including additional \$40 Per Student recommended by House Ways and Means Committee. The Governor’s Budget recommended level funding Chapter 70 at \$18,511,623.

***FY14 Chapter 70 aid including additional \$25 Per Student recommended by Governor’s budget.

History of Target Percentage

	<u>Target Local Share</u>	<u>Target Aid Share</u>	<u>Contribution as % Of Foundation Budget</u>	<u>Shortfall from Target</u>
FY07	73.81%	26.19%	63.00%	10.81%
FY08	71.25%	28.75%	61.14%	10.11%
FY09	71.95%	28.05%	60.45%	11.50%
FY10	70.06%	29.94%	60.79%	9.27%
FY11	71.61%	28.39%	64.59%	7.02%
FY12	70.42%	29.58%	64.44%	5.98%
FY13	71.68%	28.32%	64.86%	6.82%
FY14	74.53%	35.47%	65.19%	9.34%

Added Increment Toward Target

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14 Proposed
Shortfall from Target Share	10.81%	10.11%	11.50%	9.27%	7.02%	5.98%	6.82%	9.34%
% Increment Toward Target	0.00%	2.00%	2.00%	1.00%	1.00%	1.00%	1.00%	3.00%
Dollar Amount Added	\$0	\$542,159	\$575,936	\$302,971	\$310,848	\$324,557	\$336,922	\$1,052,512

Shrewsbury's History of Aggregate Wealth Formula

	Total Property Value	Based on EQV of FY	% Change from previous year	Local Effort Expected From Property Wealth	% Change from previous year	Total Income	Based on DOR Income of FY	% Change from previous year	Local Effort Expected From Income	% Change from previous year
FY07	4,240,111,400	2004		14,344,056		1,066,918,000	2003		17,397,295	
FY08	5,041,995,700	2006	18.91%	14,836,850	3.44%	1,146,679,000	2004	7.48%	18,092,948	4.00%
FY09	5,041,995,700	2006	0.00%	15,662,911	5.57%	1,266,804,000	2005	10.48%	19,712,326	8.95%
FY10	5,422,224,900	2008	7.54%	16,056,162	2.51%	1,296,828,000	2006	2.37%	19,423,127	-1.47%
FY11	5,422,224,900	2008	0.00%	16,029,830	-0.16%	1,433,099,000	2007	10.51%	19,607,179	0.95%
FY12	5,064,277,500	2010	-6.60%	15,941,257	-0.55%	1,401,655,000	2008	-2.19%	20,521,635	4.66%
FY13	5,064,277,500	2010	0.00%	16,313,711	2.34%	1,369,893,000	2009	-2.27%	22,088,013	7.63%
FY14	5,071,030,400	2012	0.13%	18,218,973	11.68%	1,491,062,000	2010	8.85%	23,252,616	5.27%

Comparison of Chapter 70 with Assabet Valley Collaborative Districts

	Target Local Share %	Shortfall % From Target Local Share	Required Incremental Contribution Toward Target	Shortfall from expected local effort
Berlin	82.50%	0.00%	\$ -	\$ -
Bolton	82.50%	0.00%	\$ -	\$ -
Boylston	82.50%	0.00%	\$ -	\$ -
Grafton	65.18%	4.00%	\$ 342,256	\$ 817,313
Hudson	58.40%	0.00%	\$ -	\$ -
Lancaster	70.45%	0.00%	\$ -	\$ -
Marlboro	62.22%	0.00%	\$ -	\$ -
Maynard	69.48%	0.00%	\$ -	\$ -
Millbury	58.15%	0.00%	\$ -	\$ -
Northboro	78.59%	0.00%	\$ -	\$ -
Shrewsbury	74.53%	9.34%	\$ 1,052,512	\$ 4,142,501
Southboro	82.50%	0.00%	\$ -	\$ -
Stow	82.50%	0.00%	\$ -	\$ -
Westboro	82.19%	0.00%	\$ -	\$ -

Chapter 70 Preliminary Funding – Assabet Valley Collaborative Districts

	Increase In Dollars	Increase In Dollars per Pupil	Increase %
Berlin	\$4,050	\$25	0.94%
Bolton	N/A	N/A	N/A
Boylston	\$97,474	\$314	24.11%
Grafton	\$1,427,016	\$467	15.86%
Hudson	\$1,082,979	\$398	10.57%
Lancaster	N/A	N/A	N/A
Marlboro	\$2,261,576	\$472	12.89%
Maynard	\$33,150	\$25	0.83%
Millbury	\$538,997	\$298	8.12%
Northboro	\$46,100	\$25	1.27%
Shrewsbury	\$148,750	\$25	0.79%
Southboro	\$34,050	\$25	1.26%
Stow	N/A	N/A	N/A

Westboro	\$1,121,051	\$328	25.05%
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Snapshot Comparison of State’s largest shortfalls from target local share

Out of the 351 cities and towns, Shrewsbury ranks 13th in the magnitude of shortfall from target local share. This puts Shrewsbury in the bottom 4% of communities in the Commonwealth relative to the difference between the actual share of the foundation budget versus the target share determined by the state’s calculation based on property and income wealth of the community.

District	% of Shortfall	Rank out of 110 Cities/Towns with a Shortfall
ROYALSTON	35.34	1
TOLLAND	24.95	2
ATHOL	19.29	3
DUDLEY	12.68	4
HANSON	11.96	5
EAST BROOKFIELD	11.78	6
UPTON	11.30	7
FALL RIVER	10.70	8
NEW BEDFORD	10.02	9
MENDON	9.98	10
SPENCER	9.78	11
HOLYOKE	9.38	12
SHREWSBURY	9.34	13
LAWRENCE	9.03	14
WEST BROOKFIELD	8.73	15
GARDNER	8.67	16
WHITMAN	8.25	17
NORTHBRIDGE	8.18	18
NEW ASHFORD	8.07	19
WEYMOUTH	7.53	20
WEST NEWBURY	7.23	21
WRENTHAM	6.98	22
CHARLTON	6.95	23
CHESHIRE	6.87	24
TEMPLETON	6.71	25
OAKHAM	6.71	26

SPRINGFIELD	6.67	27
MANCHESTER	6.28	28
MILLVILLE	5.93	29
CLARKSBURG	5.59	30
SOUTHWICK	5.57	31
WASHINGTON	5.41	32
LOWELL	5.38	33
DOUGLAS	5.30	34
HUBBARDSTON	5.28	35
ADAMS	5.00	36
DALTON	4.96	37
BERKLEY	4.91	38
HAWLEY	4.85	39
ARLINGTON	4.84	40
LEOMINSTER	4.71	41
WARWICK	4.71	42
CHELSEA	4.71	43
MALDEN	4.67	44
DRACUT	4.41	45
BROCKTON	4.00	46
GRAFTON	4.00	47
PEPPERELL	3.89	48
NORTH ATTLEBOROUGH	3.80	49
FRANKLIN	3.76	50
HUNTINGTON	3.65	51
GRANVILLE	3.65	52
MARSHFIELD	3.56	53
DUNSTABLE	3.42	54
SHIRLEY	3.32	55
READING	2.88	56
CONWAY	2.87	57
BOSTON	2.83	58
WINCHESTER	2.73	59
HOPEDALE	2.60	60
FITCHBURG	2.55	61
HINSDALE	2.53	62
LAKEVILLE	2.53	63
MONTGOMERY	2.53	64

RUSSELL	2.50	65
MELROSE	2.43	66
GILL	2.37	67
NORTHFIELD	2.34	68
ACUSHNET	2.24	69
GOSHEN	1.95	70
GROTON	1.87	71
EAST BRIDGEWATER	1.79	72
LYNN	1.77	73
BERNARDSTON	1.74	74
EASTHAMPTON	1.73	75
NORTHAMPTON	1.71	76
DARTMOUTH	1.60	77
SOUTHAMPTON	1.55	78
PLAINVILLE	1.47	79
FLORIDA	1.43	80
NORTH BROOKFIELD	1.39	81
GEORGETOWN	1.35	82
PERU	1.33	83
MARBLEHEAD	1.30	84
NORTH ADAMS	1.24	85
WORCESTER	1.02	86
WARE	0.82	87
SHARON	0.81	88
COLRAIN	0.76	89
NORTON	0.71	90
WEBSTER	0.69	91
NORTH READING	0.67	92
ESSEX	0.65	93
NATICK	0.63	94
ROWE	0.59	95
ATTLEBORO	0.57	96
ACTON	0.55	97
SUTTON	0.53	98
REHOBOTH	0.50	99
HINGHAM	0.50	100
SAVOY	0.50	101
WINCHENDON	0.44	102

MONROE	0.43	103
CHICOPEE	0.31	104
LUDLOW	0.25	105
LEICESTER	0.24	106
BRIMFIELD	0.23	107
BELLINGHAM	0.09	108
RUTLAND	0.07	109
TYNGSBOROUGH	0.02	110

Summary

In conclusion, Chapter 70 is the state aid formula used to determine adequate funding levels to educate children throughout Massachusetts. Although the formula does have flaws, it is a critical funding source for cities and towns in Massachusetts. Shrewsbury's enrollment has leveled off, and the wealth formula has assumed a larger proportion of funding of the foundation budget; as a result state levels of funding have only increased by minimum levels in FY13 and preliminary FY14. It is hoped that the legislature will update the formula to address areas where current educational needs are different than what they were when the formula was established almost twenty years ago.

Also included in this Memo the "White Paper" explaining this year's formula which is found here http://finance1.doe.mass.edu/chapter70/chapter_14p_explain.html.

Additionally, we have included Shrewsbury's Chapter 70 detailed information also found on the DESE's website http://finance1.doe.mass.edu/chapter70/chapter_14p.html